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TOWNSHIP OF WHITNEY
ARENAC COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2008

AUDITORS' REPORT

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October 30, 2008

Independent Auditors' Report

Members of the Township Board
Township of Whitney
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Whitney, Arenac County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, as listed in the index. These financial statements are the responsibility of the Township of Whitney's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Whitney, Arenac County, Michigan, as of March 31, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of the Township of Whitney's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Stephenson, Gracik & Co., P.C.

**TOWNSHIP OF WHITNEY
1515 N. HURON ROAD
TAWAS CITY, MI 48763**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Township of Whitney's (the Township) financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government. This analysis, a requirement of Governmental Accounting Standards Board Statement 34 (GASB 34), omits certain comparative data that will be available in future years.

Financial Highlights

- The Township's assets exceeded its liabilities by \$1,701,983.
- The Township's total net assets increased by \$115,437.
- The Township's governmental funds reported a combined ending fund balance of \$637,780 this year, an increase of \$51,534. The entire amount is available for spending (*unreserved fund balance*) on behalf of its citizens. The Township's General Fund 2008 year end *fund balance* is \$273,991.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and business-type

activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

With this report, all capital assets are listed for the Township of Whitney. These assets are comprised of land, land improvements and buildings owned by the Township. These assets total over \$185,000.

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental, Proprietary and Fiduciary*.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund – This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state revenue and special assessments.
- Fire Fund – This fund accounts for tax revenues used for fire protection of the Township.
- Gypsy Moth Fund – This fund accounts for the control of Gypsy Moth's in the Township.
- Mosquito Control Fund – This fund accounts for tax revenues used for the control of Mosquito's in the Township.
- Building Inspection Fund – This fund accounts for the building inspection activities of the Township.

Proprietary Fund:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Township's enterprise fund may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following is the Township's major enterprise fund:

- Water Fund – This fund accounts for fees collected for water services provided by the Township.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes and fines and forfeitures collected and distributed to other political subdivisions and monies held on deposit for others.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements. The notes to financial statements are presented following the Basic Financial Statements, and provide an expansive and thorough view of various aspects of the audited financial statements.

Government -Wide Financial Analysis**Summary of Net Assets:**

The following summarizes the net assets of the Township of Whitney at March 31, 2008:

Net Assets Summary

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
Current Assets	\$ 606,059	\$ 455,889	\$ 1,061,948
Capital Assets – net	75,198	0	75,198
Other Noncurrent Assets	<u>108,237</u>	<u>1,003,720</u>	<u>1,111,957</u>
Total Assets	<u>789,494</u>	<u>1,459,609</u>	<u>2,249,103</u>
Current Liabilities	14,021	45	14,066
Long-Term Liabilities	<u>57,229</u>	<u>475,825</u>	<u>533,054</u>
Total Liabilities	<u>71,250</u>	<u>475,870</u>	<u>547,120</u>
Net Assets			
Invested in Capital Assets	75,198	0	75,198
Unrestricted	<u>643,046</u>	<u>983,739</u>	<u>1,626,785</u>
Total Net Assets	<u>\$ 718,244</u>	<u>\$ 983,739</u>	<u>\$ 1,701,983</u>

Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for fiscal year 2008.

Generally speaking, the Township's net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. The Township of Whitney, through its governing body, i.e., Township Board, has taken a sensible approach regarding capital asset acquisition. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

It is the Township's practice, in general, to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
Program Revenues:			
Charges for Services	\$ 74,038	\$ 203,041	\$ 277,079
Operating Grants and Contributions	<u>1,700</u>	<u>0</u>	<u>1,700</u>
Total Program Revenues	<u>75,738</u>	<u>203,041</u>	<u>278,779</u>
General Revenues:			
Property Taxes	217,088	0	217,088
State Revenue Sharing	70,631	0	70,631
Investment Earnings and Miscellaneous	23,802	19,357	43,159
Rent Income	<u>12,863</u>	<u>0</u>	<u>12,863</u>
Total General Revenues	<u>324,384</u>	<u>19,357</u>	<u>343,741</u>
Total Revenues	<u>400,122</u>	<u>222,398</u>	<u>622,520</u>
Program Expenses:			
General Government	111,507	0	111,507
Public Safety	72,169	0	72,169
Public Works	56,916	0	56,916
Health and Welfare	52,881	0	52,881
Community and Economic Development	22,338	0	22,338
Interest and Fees on Long-Term Debt	1,354	0	1,354
Water Services	<u>0</u>	<u>189,918</u>	<u>189,918</u>
Total Program Expenses	<u>317,165</u>	<u>189,918</u>	<u>507,083</u>
Change in Net Assets	82,957	32,480	115,437
Beginning Net Assets (Restated)	<u>635,287</u>	<u>951,259</u>	<u>1,586,546</u>
Ending Net Assets	<u>\$ 718,244</u>	<u>\$ 983,739</u>	<u>\$ 1,701,983</u>

Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$75,738 from *Charges for Services and Operating Grants and Contributions*. Operating expenses totaled \$317,165 for these same activities. The largest expenses were incurred by General Government (\$111,507) and Public Safety (\$72,169).

Business-Type Activities

The Township's main *Business-Type activities* are for Water Services. For the most part, Water Fund revenues and expenditures reflected maintenance of the status quo as compared to past years. An exception to this observation was a decrease in the number of new connections, which decreased revenues for *Charges for Services*.

Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds: 1) General Fund – accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state revenue and special assessments; 2) Fire Fund – This fund accounts for tax revenues used for fire protection of the Township; 3) Gypsy Moth Fund – This fund accounts for the control of Gypsy Moth's in the Township; 4) Mosquito Control Fund – This fund accounts for tax revenues used for the control of Mosquito's in the Township; and, 4) Building Inspection Fund – This fund accounts for the building inspection activities of the Township.

This year's Township audit, following GASB 34 format, shows 8 funds. The Township Clerk maintains these funds as separate units in the General Ledger.

Enterprise Funds

The Township's enterprise fund provides the same type of information found in the government-wide financial statements. The Water services comprise this fund. GASB 34 places such funds under the caption of *Proprietary Funds* under the appropriate statements, i.e., *Statement of Net Assets*, *Statement of Cash Flows*, etc.

Budgetary Highlights

General Fund Budgetary Highlights

The Township's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

The General Fund actual revenue was \$223,419. That amount is above the original budget estimate of \$175,712 and final budget estimate of \$172,109. The variance between the actual revenues, the original budget and the final budget was mainly the result of not budgeting for special assessment revenue.

The actual expenditures of the General Fund were \$220,691, which is below both the original budget estimate of \$278,087 and the final budget estimate of \$284,614. The variance between the actual expenditures, the original budget and the final budget was due to changes in spending in various areas.

The General Fund had total revenues of \$223,419, total expenditures of \$220,691 and an ending fund balance of \$273,991.

Fiscal year 2008 saw the Township's General Fund fund balance increase from \$271,263 to \$273,991.

Capital Asset and Debt Administration

Capital Assets

The Township defines capital assets as assets with an initial individual cost of more than \$7,500 and an estimated useful life in excess of five years. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

Capital Assets – Governmental Activities beginning balance was \$154,377 with an ending balance of \$185,259. Governmental Activities Total Capital Assets – Net of Depreciation was \$75,198.

Long-Term Debt

The Long-Term debt of the Township of Whitney, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the Township Board of Trustees.

At year's end, long-term debt (due in more than one year) amounted to \$502,697. Such debt includes *Contracts and Special Assessment Payable*.

Economic Factors

The Township Board continues to work hard to keep expenditures down and to maintain revenue levels that are within their control. The Township property tax revenues account for approximately 36% of the Township General Fund Revenues.

Revenue sharing from the State of Michigan is the second greatest source of revenue for the Township's General Fund at approximately 32%. As the revenue estimates continue to decline at the state level the Township may lose funds that are currently budgeted. The Township has been able to operate in a streamlined manner, thus building up the General Fund balance to prepare for any reductions that may occur.

The major expenditures for the Township General Fund are for General government activities followed by Public Safety.

The Township Board monitors the revenue and expenditures throughout the year and takes appropriate action when the economic factors dictate a change.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township of Whitney, 1515 N. Huron Road, Tawas City, Michigan, 48763.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF NET ASSETS
March 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents (Note 2)	\$ 503,623	\$ 116,510	\$ 620,133
Investments (Note 2)	66,239	294,104	360,343
Receivables:			
Delinquent Taxes	13,025	1,668	14,693
Special Assessments	3,147	18,451	21,598
Accounts, Net	3,029	18,465	21,494
Due from Other Units of Government	11,680	0	11,680
Due from Fiduciary Funds (Note 3)	5,316	0	5,316
Prepaid Expenses	0	6,691	6,691
Noncurrent Assets:			
Investment in Sims-Whitney Utilities Authority (Note 1)	0	1,003,720	1,003,720
Flowage Rights - Whitney Drain, Net (Note 1)	108,237	0	108,237
Capital Assets, Net (Note 4)	<u>75,198</u>	<u>0</u>	<u>75,198</u>
Total Assets	<u>789,494</u>	<u>1,459,609</u>	<u>2,249,103</u>
<u>Liabilities</u>			
Accounts Payable	7,089	45	7,134
Due to Other Units of Government	3,002	0	3,002
Due to Other Agencies and Individuals	3,930	0	3,930
Long-Term Liabilities: (Note 6)			
Due Within One Year	4,116	26,241	30,357
Due In More Than One Year	<u>53,113</u>	<u>449,584</u>	<u>502,697</u>
Total Liabilities	<u>71,250</u>	<u>475,870</u>	<u>547,120</u>
<u>Net Assets</u>			
Invested in Capital Assets	75,198	0	75,198
Unrestricted	<u>643,046</u>	<u>983,739</u>	<u>1,626,785</u>
Total Net Assets	<u>\$ 718,244</u>	<u>\$ 983,739</u>	<u>\$ 1,701,983</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

Function/Program					Net (Expense) Revenue and Changes in Net Assets		
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<u>Primary Government</u>							
Governmental Activities:							
General Government:							
Legislative and Executive	\$ 15,836	\$ 0	\$ 0	\$ 0	\$ (15,836)	\$ 0	\$ (15,836)
Financial and Tax							
Administration	48,263	29,050	0	0	(19,213)	0	(19,213)
Other General Government	47,408	0	0	0	(47,408)	0	(47,408)
Public Safety:							
Fire	65,782	0	0	0	(65,782)	0	(65,782)
Building and Zoning	6,087	0	0	0	(6,087)	0	(6,087)
Other Public Safety	300	326	0	0	26	0	26
Public Works:							
Solid Waste	36,000	36,174	0	0	174	0	174
Other Public Works	20,916	7,838	1,700	0	(11,378)	0	(11,378)
Health and Welfare:							
Other Health and Welfare	52,881	0	0	0	(52,881)	0	(52,881)
Community and Economic							
Development	22,338	650	0	0	(21,688)	0	(21,688)
Interest and Fees on Long- Term Debt	<u>1,354</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,354)</u>	<u>0</u>	<u>(1,354)</u>
Total Governmental Activities	317,165	74,038	1,700	0	(241,427)	0	(241,427)
Business-Type Activities:							
Water Services	<u>189,918</u>	<u>203,041</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,123</u>	<u>13,123</u>
Total Primary Government	<u>\$ 507,083</u>	<u>\$ 277,079</u>	<u>\$ 1,700</u>	<u>\$ 0</u>	<u>(241,427)</u>	<u>13,123</u>	<u>(228,304)</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY

Arenac County, MichiganSTATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
General Revenue:							
Property Taxes Levied For:							
General Operating					\$ 52,629	\$ 0	\$ 52,629
Fire Protection					65,782	0	65,782
Mosquito Control					98,677	0	98,677
State Revenue Sharing					70,631	0	70,631
Interest and Investment							
Earnings					15,557	18,473	34,030
Rent Income					12,863	0	12,863
Other					8,245	884	9,129
Total General Revenue					<u>324,384</u>	<u>19,357</u>	<u>343,741</u>
Change in Net Assets					82,957	32,480	115,437
Net Assets - Beginning, as Restated (Note 12)					<u>635,287</u>	<u>951,259</u>	<u>1,586,546</u>
Net Assets - Ending					<u>\$ 718,244</u>	<u>\$ 983,739</u>	<u>\$ 1,701,983</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2008

	General Fund	Fire Fund	Gypsy Moth Fund	Mosquito Control Fund	Building Inspection Fund	Total Governmental Funds
<u>ASSETS</u>						
Cash and Cash Equivalents (Note 2)	\$ 135,234	\$ 0	\$ 134,164	\$ 220,313	\$ 13,912	\$ 503,623
Investments (Note 2)	66,239	0	0	0	0	66,239
Receivables:						
Delinquent Taxes	5,519	3,002	0	4,504	0	13,025
Special Assessments	3,147	0	0	0	0	3,147
Accounts, Net	3,029	0	0	0	0	3,029
Due from Other Units of Government (Note 3)	11,680	0	0	0	0	11,680
Due from Other Funds (Note 3)	6,608	0	0	198	0	6,806
Prepaid Expenses	<u>48,889</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48,889</u>
Total Assets	<u>\$ 280,345</u>	<u>\$ 3,002</u>	<u>\$ 134,164</u>	<u>\$ 225,015</u>	<u>\$ 13,912</u>	<u>\$ 656,438</u>
<u>LIABILITIES AND FUND EQUITY</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 3,009	\$ 0	\$ 0	\$ 0	\$ 4,080	\$ 7,089
Due to Other Funds (Note 3)	198	0	0	0	1,292	1,490
Due to Other Units of Government	0	3,002	0	0	0	3,002
Due to Other Agencies and Individuals	0	0	0	0	3,930	3,930
Deferred Revenue (Note 5)	<u>3,147</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,147</u>
Total Liabilities	<u>6,354</u>	<u>3,002</u>	<u>0</u>	<u>0</u>	<u>9,302</u>	<u>18,658</u>
<u>Fund Equity</u>						
Fund Balances:						
Unreserved:						
Undesignated, Reported In:						
General Fund	273,991	0	0	0	0	273,991
Special Revenue Funds	<u>0</u>	<u>0</u>	<u>134,164</u>	<u>225,015</u>	<u>4,610</u>	<u>363,789</u>
Total Fund Equity	<u>273,991</u>	<u>0</u>	<u>134,164</u>	<u>225,015</u>	<u>4,610</u>	<u>637,780</u>
Total Liabilities and Fund Equity	<u>\$ 280,345</u>	<u>\$ 3,002</u>	<u>\$ 134,164</u>	<u>\$ 225,015</u>	<u>\$ 13,912</u>	<u>\$ 656,438</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
March 31, 2008

Total Governmental Fund Balances		\$ 637,780
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Capital Asset Cost	\$ 185,259	
Accumulated Depreciation	<u>(110,061)</u>	75,198
Noncurrent assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Noncurrent assets at year end consist of:		
Flowage Rights - Whitney Drain	110,697	
Accumulated Amortization	<u>(2,460)</u>	108,237
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:		
Special Assessments Receivable		3,147
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Whitney Drain Special Assessment Payable		(57,229)
Amounts paid in advance for special assessment debt is included in prepaid expense in the governmental funds, but are considered noncurrent assets for governmental activities and are included in Flowage Rights - Whitney Drain.		
		<u>(48,889)</u>
Total Net Assets - Governmental Activities		<u>\$ 718,244</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2008

	General Fund	Fire Fund	Gypsy Moth Fund	Mosquito Control Fund	Building Inspection Fund	Total Governmental Funds
<u>Revenue</u>						
Property Taxes	\$ 79,417	\$ 65,782	\$ 0	\$ 98,677	\$ 0	\$ 243,876
State Revenue	72,331	0	0	0	0	72,331
Licenses and Permits	976	0	0	0	0	976
Charges for Services	5,068	0	0	0	0	5,068
Interest and Rentals	19,323	0	4,093	4,488	516	28,420
Special Assessments	38,059	0	0	0	0	38,059
Other Revenue	8,245	0	0	0	0	8,245
Total Revenue	<u>223,419</u>	<u>65,782</u>	<u>4,093</u>	<u>103,165</u>	<u>516</u>	<u>396,975</u>
<u>Expenditures</u>						
Current:						
General Government:						
Legislative	3,180	0	0	0	0	3,180
Chief Executive	11,518	0	0	0	0	11,518
Financial and Tax Administration	46,246	0	0	0	0	46,246
Other General Government	42,430	0	0	0	0	42,430
Public Safety	300	65,782	0	0	6,087	72,169
Public Works	60,389	0	0	0	0	60,389
Health and Welfare	0	0	0	52,881	0	52,881
Community and Economic Development	21,917	0	0	0	0	21,917
Other	3,829	0	0	0	0	3,829
Capital Outlay	30,882	0	0	0	0	30,882
Total Expenditures	<u>220,691</u>	<u>65,782</u>	<u>0</u>	<u>52,881</u>	<u>6,087</u>	<u>345,441</u>
Excess of Revenue Over (Under) Expenditures	2,728	0	4,093	50,284	(5,571)	51,534
Fund Balances - Beginning of Year, as Restated (Note 12)	<u>271,263</u>	<u>0</u>	<u>130,071</u>	<u>174,731</u>	<u>10,181</u>	<u>586,246</u>
Fund Balances - End of Year	<u>\$ 273,991</u>	<u>\$ 0</u>	<u>\$ 134,164</u>	<u>\$ 225,015</u>	<u>\$ 4,610</u>	<u>\$ 637,780</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

Total Net Change in Fund Balances - Governmental Funds		\$	51,534
Amounts reported for governmental activities in the statement of activities are different because:			
Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:			
Special Assessments			3,147
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital Outlay	\$	30,882	
Current Year Depreciation Expense		<u>(4,725)</u>	
Net difference			26,157
Repayment of the debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.			
Whitney Drain Special Assessment Payable			3,468
Prepayment of special assesment debt, shown as prepaid expense in the governmental funds, is expensed over the life of the debt. However, this prepayment is included as part of the total cost of a noncurrent asset and is amortized over the life of that asset and expensed in the statement of activities:			
Current year prepaid expense recognition		1,111	
Current year amortization expense		<u>(2,460)</u>	
Net difference			<u>(1,349)</u>
Change in Net Assets of Governmental Activities		\$	<u>82,957</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF NET ASSETS
PROPRIETARY FUND
March 31, 2008

	<u>Enterprise Fund</u>	<u>Water Fund</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 116,510	
Investments (Note 2)	294,104	
Receivables:		
Delinquent Taxes	1,668	
Special Assessments	18,451	
Accounts, Net	18,465	
Prepaid Expenses	<u>6,691</u>	
Total Current Assets	455,889	
Noncurrent Assets:		
Investment in Sims-Whitney Utilities Authority (Note 1)	<u>1,003,720</u>	
Total Assets	<u>1,459,609</u>	
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	45	
Current Portion of Long-Term Liabilities (Note 6)	<u>26,241</u>	
Total Current Liabilities	26,286	
Long-Term Liabilities:		
Due in More Than One Year (Note 6)	<u>449,584</u>	
Total Liabilities	<u>475,870</u>	
<u>Net Assets</u>		
Unrestricted	<u>\$ 983,739</u>	

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended March 31, 2008

	<u>Enterprise Fund</u>
	<u>Water Fund</u>
<u>Operating Revenue</u>	
Charges For Services	\$ 203,041
Other Revenue	884
Total Operating Revenue	<u>203,925</u>
<u>Operating Expenses</u>	
Salaries and Wages	5,210
Payroll Taxes and Employee Benefits	492
Administrative Costs	3,432
Contractual Services	81,757
Equipment and Supplies	60,790
Office Supplies	2,766
Professional Fees and Services	2,562
Rent	5,400
Telephone	756
Travel and Training	751
Other	864
Total Operating Expenses	<u>164,780</u>
Operating Income	<u>39,145</u>
<u>Nonoperating Revenue (Expenses)</u>	
Interest on Special Assessments	1,266
Interest and Investment Earnings	17,207
Interest and Fees Expense	(25,138)
Total Nonoperating Revenue (Expenses)	<u>(6,665)</u>
Change in Net Assets	32,480
Net Assets - Beginning of Year, as Restated (Note 12)	<u>951,259</u>
Net Assets - End of Year	<u>\$ 983,739</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended March 31, 2008

	<u>Enterprise Fund</u>
	<u>Water Fund</u>
<u>Cash Flows From Operating Activities</u>	
Receipts From Customers	\$ 209,015
Payments for Supplies and Services	(159,098)
Payments to Employees for Services	<u>(5,702)</u>
Net Cash Provided by Operating Activities	<u>44,215</u>
<u>Cash Flows From Non-Capital Financing Activities</u>	
Special Assessments Received	7,014
Interest Received on Assessments	<u>1,266</u>
Net Cash Provided by Non-Capital Financing Activities	<u>8,280</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Principal Paid on Long-Term Debt	(118,210)
Interest and Fees Paid on Long-Term Debt	<u>(31,829)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(150,039)</u>
<u>Cash Flows From Investing Activities</u>	
Redemption of Investment Securities	149,167
Interest on Investments	<u>2,549</u>
Net Cash Provided by Investing Activities	<u>151,716</u>
Net Increase in Cash and Cash Equivalents	54,172
Cash and Cash Equivalents at Beginning of Year (Note 1)	<u>62,338</u>
Cash and Cash Equivalents at End of Year (Note 1)	<u>\$ 116,510</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 39,145
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Change in Assets and Liabilities:	
Accounts Receivable	5,090
Accounts Payable	<u>(20)</u>
Net Cash Provided by Operating Activities	<u>\$ 44,215</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
March 31, 2008

	<u>Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (Note 2)	\$ 5,316	\$ 0	\$ 5,316
Investments	<u>0</u>	<u>24,272</u>	<u>24,272</u>
Total Assets	<u>\$ 5,316</u>	<u>\$ 24,272</u>	<u>\$ 29,588</u>
<u>LIABILITIES</u>			
Due to Other Funds (Note 3)	\$ 5,316	\$ 0	\$ 5,316
Deposits Payable	<u>0</u>	<u>24,272</u>	<u>24,272</u>
Total Liabilities	<u>\$ 5,316</u>	<u>\$ 24,272</u>	<u>\$ 29,588</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Whitney (Township) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. Private-sector standards of accounting issued after November 30, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies:

A. Description of Township Operations and Fund Types

The Township of Whitney operates under an elected Board of five members and provides services to its residents in many areas including fire protection, street lighting, refuse collection, gypsy moth control, mosquito control and maintenance of local roads. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Township are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs of services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township approves the budget, the issuance of debt, or the levying of taxes. The Township does not have any component units.

C. Joint Ventures

The Township has entered into two joint ventures with various municipalities described as follows:

Sims-Whitney Utilities Authority

The Sims-Whitney Utilities Authority functions as a joint venture between the Townships of Whitney and Sims. The Authority was established for the purpose of providing water service to the residents of the constituent municipalities.

Upon organization, the Authority obtained grants and loans to construct water lines in the Townships. The original loan from Farmers Home Administration amounted to \$1,161,000. To make payments on the loan, the Authority entered into contracts with the Townships for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Whitney's portion of the contract amounted to \$603,720 or 52%. The Township has pledged its full faith and credit for the payment and is obligated to make such payments from their general funds, including ad-valorem taxes, if necessary. Currently, the Township of Whitney is making payments through charges for services.

In 1999, the Authority issued limited tax general obligation bonds in the amount of \$815,000. To make payments on the bonds, the Authority entered into contracts with the Townships for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Whitney's portion of

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures (Continued)

the contract amounted to \$400,000 or 49.08%. The Township has pledged its full faith and credit for the payment and is obligated to make such payments. Currently, payments are being made through charges for services.

These contracts plus any improvements to the system by Whitney Township are recorded as Investment in Sims-Whitney Utilities Authority in the Water Fund of the Township because title to the lines belongs to the Authority. The current value of the Township of Whitney's investment in the Sims-Whitney Utilities Authority is \$1,003,720.

The Township of Whitney also pays a prorated share of the operating expenses of the Authority based on usage and other factors. In the current year the Township paid to the Authority \$81,757 for operations. Complete financial statements can be obtained from the Township of Whitney, Clerk's office, located at 1515 N. Huron Road, Tawas City, MI 48763.

AuGres, Sims, Whitney Fire and Rescue Authority

The AuGres, Sims, Whitney Fire and Rescue Authority functions as a joint venture between the Townships of AuGres, Sims and Whitney and the City of Au Gres. The Authority was established to provide fire protection to the constituent municipalities. The constituent municipalities provide annual funding for its operations based on property taxes collected. The Township of Whitney's portion for the year ended March 31, 2008 was \$65,782. Complete financial statements can be obtained from the Township of Whitney, Clerk's office, located at 1515 N. Huron Road, Tawas City, MI 48763.

D. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

E. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state revenue and special assessments.

Fire Fund - This fund accounts for tax revenues used for fire protection of the Township.

Gypsy Moth Fund - This fund accounts for the control of Gypsy Moth's in the Township.

Mosquito Control Fund - This fund accounts for tax revenues used for the control of Mosquito's in the Township.

Building Inspection Fund - This fund accounts for the building inspection activities of the Township.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Township's enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the Township's major enterprise fund:

Water Fund - This fund accounts for fees collected for water services provided by the Township.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for others. The Township uses these funds to account for property tax collections and to account for money held on deposit for others.

F. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Township are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenue, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise activities.

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), grants, interest, rent and various other items.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Receivables

Receivables generally consist of accounts (fees), special assessments, property taxes and charges for water services due from various customers. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility.

The allowance for doubtful accounts at March 31, 2008 was \$0.

J. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances". Balances due from/to fiduciary funds are also reported on the government-wide statement of net assets.

K. Prepaid Items

The prepayment on the Whitney Drain Assessment is shown as prepaid expense in the fund financial statements. The prepayment is being expensed over the life of said assessment.

L. Flowage Rights

The balance represents the Township's portion of the Whitney Drain assessment costs and are being amortized over the life of said assessment in the Government-wide statements. In the governmental funds these costs are reported as expenditures when the related liability is incurred and billed for payment.

M. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

Capital assets are defined by the government as assets with an initial individual cost of more than \$7,500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Buildings	25 - 50 years
Land Improvements	10 - 20 years

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for services for water usage. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended March 31, 2008.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Budgets and Budgetary Accounting

The Township of Whitney normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to March 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance .
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Township Board throughout the operating year.

The Township adopts budgets for the General Fund and Special Revenue Funds.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

T. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 503,623	\$ 116,510	\$ 5,316	\$ 625,449
Investments	<u>66,239</u>	<u>294,104</u>	<u>24,272</u>	<u>384,615</u>
Total	<u>\$ 569,862</u>	<u>\$ 410,614</u>	<u>\$ 29,588</u>	<u>\$ 1,010,064</u>

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 982,263
Investments in Financial Institution Pooled Funds	<u>27,801</u>
Total	\$ <u>1,010,064</u>

As of March 31, 2008, the Township had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Primary Government: Investment Pools	\$ <u>27,801</u>	Daily

Interest Rate Risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's known cash requirements.

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local government unit in Michigan. The Township's investment pools are unrated.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$595,860 of the Township's bank balance of \$990,370 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, by; limiting investments to the types of securities approved in the Township's investment policy which is in accordance with State law.

Foreign Currency Risk

The Township's investment policy does not address foreign currency risk.

Investments

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- λ Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- λ Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of March 31, 2008 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 6,608	\$ 198
Mosquito Control Fund	198	0
Building Inspection Fund	<u>0</u>	<u>1,292</u>
Total Major Governmental Funds	6,806	1,490
 Fiduciary Funds		
	<u>0</u>	<u>5,316</u>
	<u>\$ 6,806</u>	<u>\$ 6,806</u>

The amounts of interfund receivables and payables for individual funds as of March 31, 2008 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 1,292	Building Inspection Fund	\$ 1,292
General Fund	5,316	Tax Collection Fund	5,316
Mosquito Control Fund	<u>198</u>	General Fund	<u>198</u>
Total	<u>\$ 6,806</u>	Total	<u>\$ 6,806</u>

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended March 31, 2008, was as follows:

	<u>Balance</u> <u>04/01/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>03/31/08</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 6,554	\$ 0	\$ 0	\$ 6,554
Capital Assets Being Depreciated:				
Land Improvements	0	30,882	0	30,882
Buildings	<u>147,823</u>	<u>0</u>	<u>0</u>	<u>147,823</u>
Subtotal	<u>147,823</u>	<u>30,882</u>	<u>0</u>	<u>178,705</u>
Less Accumulated Depreciation for:				
Land Improvements	0	(1,029)	0	(1,029)
Buildings	<u>(105,336)</u>	<u>(3,696)</u>	<u>0</u>	<u>(109,032)</u>
Subtotal	<u>(105,336)</u>	<u>(4,725)</u>	<u>0</u>	<u>(110,061)</u>
Capital Assets Being Depreciated	<u>42,487</u>	<u>26,157</u>	<u>0</u>	<u>68,644</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 49,041</u>	<u>\$ 26,157</u>	<u>\$ 0</u>	<u>\$ 75,198</u>

Depreciation expense was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government:	
Other General Government	<u>\$ 4,725</u>

NOTE 5 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Special Assessments Receivable	<u>\$ 3,147</u>	<u>\$ 0</u>	<u>\$ 3,147</u>

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

A. Contracts Payable

Joint water supply system agreement with the Township of Sims through the Sims-Whitney Utilities Authority, dated December 18, 1984, due in annual installments through July 1, 2017, bearing interest at a maximum rate of 5% for the purpose of constructing additions, extensions, improvements and related appurtenances to the Sims-Whitney Utilities Authority water system. The most current estimate of the Townships share is 52% of the total bond issue cost of \$1,161,000 or \$603,720.

<u>Governmental</u>	<u>Business-Type</u>
\$ 0	\$ 213,249

Joint water supply system agreement with the Township of Sims through the Sims-Whitney Utilities Authority, dated March 1, 1999, due in annual installments through October 1, 2018, bearing interest at the rates of 2% to 5% for the purpose of constructing additions, extensions, improvements and related appurtenances to Sims-Whitney Utilities Authority water system. The most current estimate of the Townships share is 49.08% of the total bond issue cost of \$815,000 or \$400,000.

0	262,576
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Total Contracts Payable

0	475,825
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B. Special Assessment Payable

\$110,697 Whitney Intercounty Drain special assessment dated 9/26/07. The special assessment is due to the Arenac County Drain Commission for the Whitney Intercounty Drain project bonds. The assessment bears interest at 4.83% and are due in annual installments through 2022.

<u>Governmental</u>	<u>Business-Type</u>
57,229	0

Total Primary Government

\$ 57,229	\$ 475,825
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C. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2008:

	<u>Balance 04/01/07</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 03/31/08</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Special Assessment Payable	\$ 0	\$ 110,697	\$ (53,468)	\$ 57,229	\$ 4,116

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

C. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

Primary Government:

Contracts Payable	\$ <u>594,035</u>	\$ <u>0</u>	\$ <u>(118,210)</u>	\$ <u>475,825</u>	\$ <u>26,241</u>
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The interest expenditures on long-term obligations for the year were \$26,492.

Contracts Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 0	\$ 0	\$ 26,241	\$ 8,137	\$ 34,378
2010	0	0	39,162	22,045	61,207
2011	0	0	40,422	20,205	60,627
2012	0	0	41,682	18,281	59,963
2013	0	0	45,396	16,276	61,672
2014 - 2018	0	0	253,476	45,515	298,991
2019	<u>0</u>	<u>0</u>	<u>29,446</u>	<u>1,474</u>	<u>30,920</u>
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>475,825</u>	\$ <u>131,933</u>	\$ <u>607,758</u>

Special Assessment Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 4,116	\$ 2,823	\$ 0	\$ 0	\$ 6,939
2010	4,113	2,623	0	0	6,736
2011	4,109	2,420	0	0	6,529
2012	4,105	2,217	0	0	6,322
2013	4,101	2,014	0	0	6,115
2014 - 2018	20,435	7,037	0	0	27,472
2019 - 2022	<u>16,250</u>	<u>2,004</u>	<u>0</u>	<u>0</u>	<u>18,254</u>
Total	\$ <u>57,229</u>	\$ <u>21,138</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>78,367</u>

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$67,957,025. The 2007 operating tax rates are currently .7470 mills for operations, .9722 mills for fire protection and 1.4583 mills for mosquito control.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 8 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2008, the Township incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Fire Fund/Public Safety	\$ 0	\$ 65,782	\$ 65,782

NOTE 9 - RETIREMENT PLAN

The Township has a non-standardized money purchase plan with Met Life Insurance Company effective July 1, 1991. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date or on any anniversary date, have attained age 18. Vesting is 100% upon entering the plan.

Each employee must contribute 7.5% of their gross earnings to the plan. The Township is required to contribute an amount equal to 7.5% of the employee's gross earnings.

During the year, the Township's required and actual contributions amounted to \$3,755 which is 7.5% of its current year covered payroll. Employees' contributions also amounted to \$3,755.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 10 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. Accrued unemployment compensation was \$4,080 as of March 31, 2008.

NOTE 11 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries and natural disasters. The Township has purchased commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

TOWNSHIP OF WHITNEY
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

During 2008, the following prior period adjustments were made to the financials:

In the governmental activities section of the financial statements it was determined that accounts receivable was understated; special assessments receivable was overstated due to receivables being recorded for future assessments that are determined on an annual basis; capital assets were overstated based on capitalization policy established and state shared revenue had not been accrued at year end in accordance with the state guidelines.

In the water fund and business-type activities section of the financial statements it was determined that accounts and special assessments receivable were understated due to cut-off information used and incorrect write-off of balances in the prior year respectively; capital assets were overstated based on capitalization policy established and investments and contracts payable were understated due to not recognizing activity related to investment in Sims-Whitney Utilities Authority.

In the general fund statements the same prior period adjustments as indicated for the governmental activities apply and, in addition, it was determined that capital assets had been recorded in the fund in the prior year, overstating the fund balance, which is not appropriate for fund accounting and reporting purposes.

The restatements affected by the prior period adjustments is summarized below:

	<u>General</u>	<u>Water</u>
Fund Balance/Net Assets 3/31/07	\$ 565,728	\$ 535,249
Adjustment to Accounts Receivable	2,915	6,673
Adjustment to Special Assessments Receivable	(12,538)	2,793
Investment in Sims-Whitney Utilities Authority	0	1,003,720
Adjustment to Capital Assets, Net	(292,759)	(3,141)
Adjustment to Deferred Revenue	(3,621)	0
Adjustment to Contracts Payable	0	(594,035)
Adjustment to State Shared Revenue	11,538	0
Fund Balance/Net Assets 3/31/07, as Restated	<u>\$ 271,263</u>	<u>\$ 951,259</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets 3/31/07	\$ 880,711	\$ 535,249
Adjustment to Accounts Receivable	2,915	6,673
Adjustment to Special Assessments Receivable	(12,538)	2,793
Investment in Sims-Whitney Utilities Authority	0	1,003,720
Adjustment to Capital Assets, Net	(243,718)	(3,141)
Adjustment to Deferred Revenue	(3,621)	0
Adjustment to Contracts Payable	0	(594,035)
Adjustment to State Shared Revenue	11,538	0
Net Assets 3/31/07, as Restated	<u>\$ 635,287</u>	<u>\$ 951,259</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 76,550	\$ 72,947	\$ 79,417	\$ 6,470
State Revenue	70,700	70,699	72,331	1,632
Licenses and Permits	750	750	976	226
Charges for Services	3,262	5,062	5,068	6
Interest and Rentals	14,200	14,830	19,323	4,493
Special Assessments	0	0	38,059	38,059
Other Revenue	10,250	7,821	8,245	424
Total Revenue	<u>175,712</u>	<u>172,109</u>	<u>223,419</u>	<u>51,310</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	3,150	3,180	3,180	0
Chief Executive	12,350	12,350	11,518	832
Financial and Tax Administration	48,337	49,448	46,246	3,202
Other General Government	48,118	49,904	42,430	7,474
Public Safety	350	350	300	50
Public Works	108,500	111,250	60,389	50,861
Community and Economic Development	21,200	22,050	21,917	133
Other	4,200	4,200	3,829	371
Capital Outlay	31,882	31,882	30,882	1,000
Total Expenditures	<u>278,087</u>	<u>284,614</u>	<u>220,691</u>	<u>63,923</u>
Excess of Revenue Over (Under) Expenditures	(102,375)	(112,505)	2,728	115,233
Fund Balances - Beginning of Year, as Restated (Note 12)	<u>271,263</u>	<u>271,263</u>	<u>271,263</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 168,888</u>	<u>\$ 158,758</u>	<u>\$ 273,991</u>	<u>\$ 115,233</u>

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FIRE FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 0	\$ 0	\$ 65,782	\$ 65,782
<u>Expenditures</u>				
Current:				
Public Safety	<u>0</u>	<u>0</u>	<u>65,782</u>	<u>(65,782)</u>
Excess of Revenue Over Expenditures	0	0	0	0
Fund Balances - Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GYPSY MOTH FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Interest and Rentals	\$ 0	\$ 0	\$ 4,093	\$ 4,093
<u>Expenditures</u>				
Current:				
Health and Welfare	<u>200</u>	<u>200</u>	<u>0</u>	<u>200</u>
Excess of Revenue Over (Under) Expenditures	(200)	(200)	4,093	4,293
Fund Balances - Beginning of Year	<u>130,071</u>	<u>130,071</u>	<u>130,071</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 129,871</u>	<u>\$ 129,871</u>	<u>\$ 134,164</u>	<u>\$ 4,293</u>

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MOSQUITO CONTROL FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 0	\$ 0	\$ 98,677	\$ 98,677
Interest and Rentals	0	0	4,488	4,488
Total Revenue	0	0	103,165	103,165
<u>Expenditures</u>				
Current:				
Health and Welfare	60,000	60,000	52,881	7,119
Excess of Revenue Over (Under) Expenditures	(60,000)	(60,000)	50,284	110,284
Fund Balances - Beginning of Year	174,731	174,731	174,731	0
Fund Balances - End of Year	\$ 114,731	\$ 114,731	\$ 225,015	\$ 110,284

TOWNSHIP OF WHITNEY
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUILDING INSPECTION FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Interest and Rentals	\$ 20	\$ 20	\$ 516	\$ 496
<u>Expenditures</u>				
Current:				
Public Safety	<u>6,600</u>	<u>6,600</u>	<u>6,087</u>	<u>513</u>
Excess of Revenue Over (Under) Expenditures	(6,580)	(6,580)	(5,571)	1,009
Fund Balances - Beginning of Year	<u>10,181</u>	<u>10,181</u>	<u>10,181</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 3,601</u>	<u>\$ 3,601</u>	<u>\$ 4,610</u>	<u>\$ 1,009</u>



Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

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Kyle E. Troyer, CPA

Herman A. Bertuleit

October 30, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Township Board
Township of Whitney
Arenac County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Whitney, Arenac County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township of Whitney's basic financial statements and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Whitney's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Whitney's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Whitney's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Whitney's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Whitney's financial statements that is more than inconsequential will not be prevented or detected by the Township of Whitney's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Financial Statement Preparation

The Township of Whitney prepares various financial information throughout the year to assess operations and the financial condition of the Township. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Township relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

Members of the Township Board
Township of Whitney
October 30, 2008

The Township of Whitney has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Township is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Township would not be in a position to detect the errors or omissions.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Whitney's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Whitney's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described below.

Tax Disbursements

We noted that tax collection disbursements were not made in a timely manner in compliance with the Michigan Department of Treasury Audits of Local Units of Government Bulletin. We recommend that disbursements be made within ten days of the 1st and 15th day of each month for collections received up to that date to be in compliance with the Michigan Department of Treasury.

Chart of Accounts

After reviewing the Township's chart of accounts it was noted that the Township is in violation of not following the Michigan Department of Treasury Uniform Chart of Accounts. We recommend that the Township update their account numbers to be in accordance with the Michigan Department of Treasury Uniform Chart of Accounts.

Budget Control

The Uniform Budgeting and Accounting Act provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated. We noted that the Township did not adopt a budget for the Fire Fund as required by the Budgeting and Accounting Act. We recommend that the Township Board adopt a budget for this fund and all required funds in the future and take into consideration recurring year end audit adjustments.

We noted certain other matters that we have reported to management of the Township of Whitney in a separate letter dated October 30, 2008.

Members of the Township Board
Township of Whitney
October 30, 2008

View of Responsible Officials and Planned Corrective Actions:

Financial Statement Preparation

The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Tax Disbursements

The Township Treasurer will make sure that tax disbursements are made in compliance with the Michigan Department of Treasury Audits of Local Units of Government Bulletin in the future.

Chart of Accounts

The Township will begin using account numbers in accordance with the Michigan Department of Treasury Uniform Chart of Accounts as soon as possible.

Budget Control

The Township will adopt a budget for the Fire Fund in the future and will take into consideration year end audit adjustments.

The Township of Whitney's responses to the findings identified in our audit are described above. We did not audit the Township of Whitney's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Members of the Township Board, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Grault & Co., P.C.



Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

Alair J. Stephenson, CPA
Gerald D. Gracik Jr., CPA
James J. Gracik, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA

Herman A. Bertuleit

October 30, 2008

Members of the Township Board
Township of Whitney
Arenac County, Michigan

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Whitney for the year ended March 31, 2008, and have issued our report thereon dated October 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Township of Whitney. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Whitney's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated March 10, 2008 and in our meeting about planning matters on June 09, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Whitney are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The audit adjustments, which include material misstatements detected as a result of audit procedures, were provided to and corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of the Township of Whitney for the year ended March 31, 2008, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. As a result of our consideration of the internal controls and tests of compliance as described in the third and fourth paragraphs, we offer the following recommendations for consideration.

Financial Statement Preparation

The Township of Whitney prepares various financial information throughout the year to assess operations and the financial condition of the Township. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Township relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

The Township of Whitney has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Township is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Township would not be in a position to detect the errors or omissions.

Tax Disbursements

We noted that tax collection disbursements were not made in a timely manner in compliance with the Michigan Department of Treasury Audits of Local Units of Government Bulletin. We recommend that disbursements be made within ten days of the 1st and 15th day of each month for collections received up to that date to be in compliance with the Michigan Department of Treasury.

Chart of Accounts

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Budget Control

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Cash Receipts

We reviewed three cash receipts to verify the proper supporting documentation. All three receipts did not have a breakdown of cash versus checks on the individual receipt. We advised the Treasurer to make sure she begins to put this breakdown on the receipts in the future.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of Township of Whitney.

This information is intended solely for the use of management, the Members of the Township Board, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Grail & Co., P.C.